



An Audit Report on

# Laboratory Services at the Texas A&M Veterinary Medical Diagnostic Laboratory

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State Auditor

The Texas A&M Veterinary Medical Diagnostic Laboratory (Laboratory) had processes to ensure that it completed the diagnostic testing its clients submitted and that it accurately assessed and collected the fees for those tests.

In addition, it generally communicated required test results to the Animal Health Commission (Commission); however, it should update its reporting procedures to document and retain its communication to the Commission.

• **Audit Objective** | p. 9

*This audit was conducted in accordance with Texas Government Code, Sections 321.013 and 321.0132.*

## **LOW**

### **DIAGNOSTIC TESTING**

The Laboratory completed all diagnostic tests submitted by in-state and out-of-state clients between September 1, 2023, and February 28, 2025. It processed more than 1.1 million diagnostic tests or services during that period.

[Chapter 1-A | p. 3](#)

## **MEDIUM**

### **DIAGNOSTIC TEST REPORTING**

The Laboratory generally communicated required test results to the Commission within 24 hours for identified diseases. However, the Laboratory did not always retain evidence of when it communicated results to the Commission.

[Chapter 1-B | p. 5](#)

## **LOW**

### **DIAGNOSTIC TEST SERVICES FEE COLLECTION**

The Laboratory accurately collected and recorded testing fees in accordance with its fee schedule. In addition, the Laboratory generally adopted and adjusted its fees in accordance with statute.

[Chapter 2 | p. 7](#)

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## Summary of Management's Response

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Auditors made recommendations to address the issues identified during this audit, provided at the end of certain chapters in this report. The Laboratory agreed with the recommendations.

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## Ratings Definitions

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Auditors used professional judgment and rated the audit findings identified in this report. The issue ratings identified for each chapter were determined based on the degree of risk or effect of the findings in relation to the audit objective(s).

**PRIORITY:** Issues identified present risks or effects that if not addressed could *critically affect* the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.

**HIGH:** Issues identified present risks or effects that if not addressed could *substantially affect* the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.

**MEDIUM:** Issues identified present risks or effects that if not addressed could *moderately affect* the audited entity's ability to effectively administer the program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.

**LOW:** The audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks *or* effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

For more on the methodology for issue ratings, see [Report Ratings](#) in Appendix 1.



**LOW**

## Chapter 1-A Diagnostic Testing

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**The Laboratory completed all requested diagnostic testing.**

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The Texas A&M Veterinary Medical Diagnostic Laboratory (Laboratory) processed 1,125,500 diagnostic tests or services needed to complete testing of all samples received from in-state and out-of-state clients between September 1, 2023, and February 28, 2025. The diagnostic tests conducted were for a wide variety of species, including 406 animal types, and involved 502 different test types (see text box). The Laboratory utilized its available resources to complete all those diagnostic tests submitted by in-state and out-of-state clients during the audit scope.

Texas Education Code, Section 88.708(b), allows the Laboratory to provide diagnostic testing services for pets and domestic animals or out-of-state livestock, but only if resources are not required for in-state livestock testing. The Laboratory had documented policies and procedures related to receiving, processing, and completing diagnostic testing requests for its clients. However, those policies and procedures did not define in-state livestock or require prioritization of those tests as required by statute. Including that definition and prioritization in its policies would help ensure that the Laboratory uses its resources to test in-state livestock first during instances of high-volume test submissions.

### **Texas A&M Veterinary Diagnostic Laboratory Testing**

The Laboratory primarily serves veterinarians across the state of Texas by conducting diagnostic testing services requested by those clients. It also provides diagnostic testing services to companion animal owners, government agencies, livestock producers, and zoos throughout Texas, the United States, and internationally.

Source: The Laboratory

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## Recommendation

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The Laboratory should update its policies and procedures to define in-state livestock and to prioritize diagnostic testing of in-state livestock.

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## Management's Response

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Management agrees with observation.

To be resolved by TVMDL Executive Associate Director

Estimated Date of Completion: 10/15/2025

The mission of the Texas A&M Veterinary Medical Diagnostic Laboratory (TVMDL) is to promote animal health and protect agricultural, companion animal and public health in Texas and beyond through excellence in veterinary diagnostic services. Although TVMDL serves clients around the world, approximately 80% of our testing efforts are dedicated to Texas clients each year. Our impact stretches across the state to ensure animals of all kinds are healthy and protected.

TVMDL will update its policies and procedures to reflect the agency's commitment to in-state livestock testing in accordance with Texas Education Code, Section 88.708(b)

**MEDIUM**

## Chapter 1-B Diagnostic Test Reporting

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The Laboratory generally communicated required test results to the Animal Health Commission (Commision) within 24 hours for identified diseases.

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The Laboratory had a documented process to notify the Commission of positive or suspect results for applicable tests identified within 24 hours, as required by Texas Agriculture Code, Section 161.101 (see text box).

However, the Laboratory was not able to provide evidence that it reported the positive or suspect test results to the Commission within 24 hours for 6 (24 percent) of 25 applicable positive test results tested. The Laboratory stated that it used various non-documented means to communicate results to the Commission, such as phone calls, electronic scanning procedures, and online information portals.

Documenting the communication of test results to the Commission would enable the Laboratory to confirm when it had fulfilled its obligation to report a positive test result.

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### Reporting Requirements

Texas Agriculture Code, Section 161.101(a) states:

A veterinarian, a veterinary diagnostic laboratory, or a person having care, custody, or control of an animal shall report to the Commission the existence of diseases listed in rules adopted by the Commission<sup>a</sup> among livestock, exotic livestock, bison, domestic fowl, or exotic fowl within 24 hours after diagnosis of the disease.

<sup>a</sup> Adopted Rules: Texas Administrative Code, Title 4, Chapter 45.

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## Recommendation

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The Laboratory should update its reporting procedures to document and retain its communication of positive or suspect test results to the Animal Health Commission.

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## Management's Response

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Management agrees with observation.

Resolved by TVMDL Informatics and Epidemiology Program Director

Completed 8/22/2025

The automated daily list of reportable results was sent to internal TVMDL staff for review before forwarding to the Texas Animal Health Commission (TAHC). This process relied on TVMDL staff to manually send the email to TAHC. There was no defined process for retention of records of that communication.

Two TAHC addresses have been added as automatic recipients of the daily email containing reportable results, removing the need for TVMDL staff to send the report manually. All the original TVMDL recipients are still copied on the email allowing them to continue to review information sent to TAHC. The new process has redundancy to demonstrate the report is sent daily.

**LOW**

## Chapter 2

# Diagnostic Test Services Fee Collection

The Laboratory accurately assessed, collected, and recorded diagnostic testing fees in accordance with its fee schedule, and it had an effective process for reviewing, assessing, and communicating the adopted and adjusted fee prices that became effective at the beginning of the fiscal year.

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**The Laboratory accurately collected and recorded diagnostic testing fees in accordance with its fee schedule.**

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From September 1, 2023, through February 28, 2025, the Laboratory collected \$26,498,331 from 1,889,641 fee assessments<sup>1</sup>. The Laboratory accurately assessed and invoiced customers according to its fee schedule or otherwise agreed-upon contract price. Additionally, the Laboratory granted discounts in accordance with its policies and procedures and accurately recorded cash receipts and the corresponding revenue from the assessed fees.

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**The Laboratory generally adopted and adjusted its fees in accordance with statute.**

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From September 1, 2023, through February 28, 2025, the Laboratory adopted or adjusted its fees 618 times. For 608 (98 percent) of those fees, the Laboratory communicated the new or adjusted fee price to the public and provided the public an opportunity to submit comments at least 30 days prior to adopting those fees, as required by Texas Education Code, Section 88.707(b). Those proposed fees, which are to be implemented at the start of the fiscal year, were communicated as part of the Laboratory's annual review process.

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<sup>1</sup> In addition to fees related to tests and services, fee assessments included shipping costs, late payment fees, and supply costs.

The remaining 10 fees were associated with new tests added during the fiscal year and the Laboratory communicated the new fee prices to the public, but it did not do so at least 30 days prior to adopting those fees. The Laboratory indicated that waiting 30 days before implementing a test designed in response to an emerging disease may hamper the agency's ability to effectively respond to that outbreak. Additionally, fees that were implemented or adjusted during the fiscal year would be reassessed at the beginning of the next fiscal year's annual review process, at which time public input would be sought.





## Appendix 1

### Objective, Scope, and Methodology

#### Objective

The objective of this audit was to determine whether the Texas A&M Veterinary Medical Diagnostic Laboratory (Laboratory) has processes and related controls to ensure that it performs diagnostic testing and collects fees in accordance with applicable requirements.

#### Scope

The scope of this audit covered the Laboratory's processing and completion of diagnostic testing, fee setting for diagnostic testing, and fee collection from September 1, 2023, through February 28, 2025.

The scope also included a review of significant internal control components related to diagnostic testing, fee collection, and the information systems supporting those activities.

#### The following members of the State Auditor's staff performed the audit:



- Jeffrey D. Criminger, CFE (Project Manager)

- Michael Bennett (Assistant Project Manager)
- Daniel Carr, CFE
- Geddy Emery, CFE
- Charles Guymon
- Marcus Kahler
- Chase Dierschke, CIA (Data Analyst)
- Robert G. Kiker, CFE, CGAP (Quality Control Reviewer)
- Sarah Puerto, CIA, CISA, CFE (Quality Control Reviewer)
- Becky Beachy, CIA, CGAP (Audit Manager)

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## Methodology

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We conducted this performance audit from March 2025 through August 2025 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. In addition, during the audit, matters not required to be reported in accordance with *Government Auditing Standards* were communicated to Laboratory management for consideration.

### Addressing the Audit Objective

During the audit, we performed the following:

- Interviewed Laboratory personnel to gain an understanding of diagnostic testing, fee setting, and fee collection processes.
- Identified the relevant criteria:
  - Texas Agriculture Code, Section 161.101.
  - Texas Education Code, Sections 88.707 and 88.708.
  - Texas Administrative Code, Title 4, Section 45.
  - Texas A&M University System policies and procedures.
  - The Laboratory's policies and procedures.
- Performed data analysis to determine whether test records were complete and that results were made available to clients.
- Tested a targeted sample of 25 out of 2,085 completed tests that had a positive or suspect result for reportable diseases to determine whether the test result was reported to the Animal Health Commission. This sampling design was to ensure a cross-selection of factors and address specific risks identified. The sample items are not necessarily representative of the population; therefore, it would not be appropriate to project the test results to the population.

- Tested all fee additions and adjustments made during the scope of the audit to determine whether the Laboratory complied with Texas Education Code, Section 87.707.
- Tested a targeted sample of 5 months out of 18 months in the scope of the audit to determine whether the fee amount received was collected and accurately recorded. This sample was also used to determine whether certain reconciliations were performed in accordance with Laboratory policies and procedures. This sampling design was to ensure a cross-section of months within the audit scope period. The sample items are not necessarily representative of the population; therefore, it would not be appropriate to project the test results to the population.
- Performed data analysis of all fees charged, including discounts, to clients to determine whether the Laboratory accurately invoiced clients according to the Laboratory's fee schedule or an otherwise agreed-upon fee amount.

### Data Reliability and Completeness

For each data set from the Laboratory Information Management Systems (LIMS) listed below, auditors determined that the data sets were sufficiently reliable for the purposes of the audit by (1) observing data extracts, (2) reviewing data queries and report parameters, (3) analyzing the populations, and (4) performing tests of selected general and application controls over the information system. Based on that work, auditors determined that the following data populations were sufficiently reliable for the purposes of the audit:

- Diagnostic test requests provided to the Laboratory.
- Positive test results required to be reported to state or federal entities.
- The Laboratory's adopted or adjusted diagnostic testing fees.
- The Laboratory's fee collection and transactions.

## Report Ratings

In determining the ratings of audit findings, auditors considered factors such as financial impact; potential failure to meet program/function objectives; noncompliance with state statute(s), rules, regulations, and other requirements or criteria; and the inadequacy of the design and/or operating effectiveness of internal controls. In addition, evidence of potential fraud, waste, or abuse; significant control environment issues; and little to no corrective action for issues previously identified could increase the ratings for audit findings. Auditors also identified and considered other factors when appropriate.



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The Honorable Dustin Burrows, Speaker of the House, Joint Chair

The Honorable Joan Huffman, Senate Finance Committee

The Honorable Robert Nichols, Member, Texas Senate

The Honorable Greg Bonnen, House Appropriations Committee

The Honorable Morgan Meyer, House Ways and Means Committee

## **Office of the Governor**

The Honorable Greg Abbott, Governor

## **Texas A&M Veterinary Medical Diagnostic Laboratory**

Members of the Texas A&M System Board of Regents

Mr. Glenn Hegar, Chancellor

Dr. Amy Swinford, Director



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